Supreme Court, U.S.
FILED
SEP 19 2016
OFFICE OF THE CLERK

Nos. 15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
and SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., and FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF WASHINGTON LEGAL FOUNDATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

Richard A. Samp
(Counsel of Record)
Mark S. Chenowath
Gregory B. Herbers
Washington Legal Foundation
2009 Mass. Ave., NW
Washington, DC 20036
(202) 588-0302
rsamp@wlf.org

Date: September 19, 2016

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20002

QUESTION PRESENTED

Whether laches is available as a defense under the Patent Act to bar claims for damages.

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES v

INTERESTS OF *AMICUS CURIAE* 1

STATEMENT OF THE CASE 2

SUMMARY OF ARGUMENT 7

ARGUMENT 12

I. THE PATENT ACT OF 1952 CODIFIED LACHES AS A DEFENSE TO DAMAGES 12

II. EVENTS FOLLOWING 1952 CONFIRM THE AVAILABILITY OF LACHES AS A DEFENSE IN PATENT-INFRINGEMENT LITIGATION .. 17

A. Businesses Have Reasonably Relied on the Unbroken Line of Appellate Decisions Recognizing Laches 17

B. Congress's Retention of § 282(b)(1) Indicates that It Has Accepted the Appeals Courts' Interpretation 20

III. THE COURT SHOULD NOT OVERTURN THE FEDERAL CIRCUIT'S NARROW PRESUMPTION REGARDING UNREASONABLE DELAY AND MATERIAL PREJUDICE 23

Page

A. The Court Should Not Address the Presumption Because It Played No Role in the Appeals Court's Decision 24

B. The Narrow Presumption Regarding Unreasonable Delay and Material Prejudice Is an Appropriate Fact-Finding Tool . . 26

CONCLUSION 31

TABLE OF AUTHORITIES

Page(s)

Cases:

A.C. Aukerman Co. v. R.L. Chaides Constr. Co.,
960 F.2d 1020 (Fed. Cir. 1992) (*en banc*) *passim*

Aro Mfg. Co. v. Convertible Top Replacement Co.,
377 U.S. 476 (1964) 13

Banker v. Ford Motor Co.,
69 F.2d 665 (3d Cir. 1934) 15

Bowman v. Monsanto Co.,
133 S. Ct. 1761 (2013) 1

Caraco Pharm. Labs., Inc. v. Novo Nordisk A/S,
132 S. Ct. 1670 (2012) 1

Continental Coatings Corp. v. Metco, Inc.,
464 F.2d 1375 (7th Cir. 1972) 17

Halo Electronics, Inc. v. Pulse Electronics, Inc.,
136 S. Ct. 1923 (2016) 13

Kimble v. Marvel Entertainment, LLC,
135 S. Ct. 2401 (2015) . 1, 18

Kohl mbH v. Eastman Kodak Co.,
616 F.2d 1315 (5th Cir. 1980) 17

Lane & Bodley Co. v. Locke,
150 U.S. 193 (1893) 12, 14

Page(s)

Lukens Steel Co. v. Amer. Locomotive Co.,
197 F.2d 939 (2d Cir. 1952) 15

Manhattan Properties, Inc. v. Irving Trust Co.,
291 U.S. 320 (1934) 21

McDonnell Douglas Corp. v. Green,
411 U.S. 792 (1973) 12, 29

Microsoft Corp. v. i4i Ltd. Partnership,
564 U.S. 91 (2011) 22, 23

NLRB v. Bildisco and Bildisco,
465 U.S. 513 (1984) 22

Payne v. Tennessee,
501 U.S. 808 (1991) 18

Petrella v. Metro-Goldwyn-Mayer, Inc.,
134 S. Ct. 1962 (2014) 6

Potter Instrument Co. v. Storage Tech. Corp.,
641 F.2d 190 (4th Cir. 1981) 17

Texas Dep't of Community Affairs v. Burdine,
450 U.S. 248 (1980) 27, 29, 30

Texas Dep't of Housing and Community Affairs v. Inclusive Communities Project, Inc.,
135 S. Ct. 2507 (2015) 20, 21

Therasense Inc. v. Becton, Dickinson and Co.,
649 F.3d 1276 (Fed. Cir. 2011) (*en banc*) . 1

Page(s)

Universal Coin Lock Co. v. Amer. Sanitary Lock Co., 104 F.2d 781 (7th Cir. 1939) . . 15

Statutes:

Civil Rights Act of 1964, Title VII, 42 U.S.C. § 2000e *et seq.* 29, 30

Copyright Act 7, 9, 10

Patent Act of 1870, ch. 230, 16 Stat. 198 14
§ 55, Rev. Stat. § 4921 (1874) 14

Patent Act of 1952, 66 Stat. 792 . . . . . *passim*

28 U.S.C. § 282 . . . . . *passim*

28 U.S.C. § 282(a) 22

28 U.S.C. § 282(b)(1) 6, 9, 22, 23

28 U.S.C. § 286 . . . . . 7, 10

Miscellaneous:

A. Scalia & B. Garner, *Reading Law: The Interpretation of Legal Texts* (2012) 21

Federal Rules of Evidence, Rule 301 29

INTERESTS OF *AMICUS CURIAE*

Washington Legal Foundation (WLF) is a public-interest law firm and policy center with supporters in all 50 States. WLF devotes a substantial portion of its resources to defending free enterprise, individual rights, a limited and accountable government, and the rule of law.[1]

To that end, WLF has regularly appeared before this Court and other federal courts in cases raising important issues regarding the scope and enforceability of patents. *See, e.g.*, *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401 (2015) (post-patent royalty agreements); *Bowman v. Monsanto Co.*, 133 S. Ct. 1761 (2013) (patent exhaustion doctrine); *Caraco Pharm. Labs., Inc. v. Novo Nordisk A/S*, 132 S. Ct. 1670 (2012) (counterclaims in patent-infringement suits); *TC Heartland, LLC v. Kraft Foods Group Brands LLC*, 821 F.3d 1338 (Fed. Cir. 2016), *cert. petition filed*, No. 16-341 (Sept. 12, 2016) (venue in patent-infringement suits); *Therasense Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*) (inequitable conduct doctrine).

WLF supports the patent-enforcement regime adopted by Congress that balances the interests of patent owners, accused infringers, and the public. That regime encourages the development of new and useful technologies by granting an inventor a monopoly

---

[1] Pursuant to Supreme Court Rule 37.6, WLF states that no counsel for a party authored this brief in whole or in part; and that no person or entity, other than WLF and its counsel, made a monetary contribution intended to fund the preparation and submission of this brief. All parties have consented to the filing of this brief; letters of consent have been lodged with the clerk.

over use of those new technologies for a limited period of time. The regime also recognizes that efforts to enforce patents sometimes can have a chilling effect on investment designed to develop innovative products and services. Accordingly, Congress expressly provided that an otherwise valid patent should be held partially or wholly unenforceable in circumstances under which a court determines that full enforcement would be unfair to an alleged infringer.

One such circumstance occurs when the patentee's unreasonable delay in filing an infringement action unfairly prejudices the alleged infringer. In that circumstance, according to an unbroken line of federal appeals court decisions stretching back more than five decades, the Patent Act of 1952 authorizes courts to apply the doctrine of laches to limit the relief otherwise available to the patentee. WLF is concerned that if the Court overturns that longstanding interpretation of the Act, Congress's intended balance among the rights of patentees, alleged infringers, and the public will be upended, as will the reasonable expectations of firms that have come to rely on the current understanding.

STATEMENT OF THE CASE

Nearly 25 years ago, the U.S. Court of Appeals for the Federal Circuit, sitting *en banc*, addressed the issue of whether, under the Patent Act of 1952, 66 Stat. 792, laches is available as a defense to a claim for damages in a patent-infringement lawsuit. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*). The court held, in accord with all previous federal appellate decisions on the issue, that Congress expressed its recognition of a

laches defense through its adoption of 28 U.S.C. § 282. *Id.* at 1030.

The court explained that a defendant seeking to invoke laches in a patent-infringement suit must establish that: (1) "the patentee's delay in bringing suit was unreasonable and inexcusable"; and (2) the defendant "suffered material prejudice attributable to the delay." *Id.* at 1028. If the defendant makes those two showings, the district court "should consider these factors and all of the evidence and other circumstances" and "may" determine that equity requires that the patentee should be barred from recovering some or all of the damages incurred prior to suit. *Ibid.*

The court also held that if the patentee delays more than six years after it "knew or should have known of the alleged infringer's activity," a presumption of laches arises. *Ibid.* That presumption does not, however, relieve the defendant of its burden of persuasion regarding the appropriateness of applying laches. Rather, it merely shifts to the patentee "the burden of going forward with evidence" regarding the reasonableness of its delay and/or the absence of prejudice. *Ibid.*

Proceedings Below. Petitioners ("SCA") in 2002 obtained a patent ("the '646 patent") on a design for protective underwear. SCA wrote to Respondents ("First Quality") in 2003, alleging that protective underwear products manufactured and sold by First Quality infringed the '646 patent. First Quality responded three weeks later that the '646 patent was invalid because its claims had been anticipated by an earlier patent and that an invalid patent cannot be

infringed.

First Quality did not thereafter hear from SCA about alleged infringement of the '646 patent until seven years later, when SCA filed this patent-infringement suit. In the meantime, by means of expanded production and corporate acquisitions, First Quality had increased its production of allegedly infringing products eight-fold from 2003 levels.

In a July 2013 order, the district court (among other things) granted summary judgment to First Quality on the issue of laches and held that SCA was barred from recovering damages incurred prior to the filing of suit on August 2, 2010. Pet. App. 92a-120a. The court recited extensive evidence supporting findings that SCA unreasonably delayed by waiting seven years to file suit and that First Quality suffered material prejudice attributable to the delay. With regard to financial prejudice, it stated:

> [T]he record demonstrates that during the seven-year delay First Quality made considerable capital investments and substantial expenditures in expanding its business. ... SCA's delay in bringing an infringement action deprived First Quality of the opportunity to modify its business strategies.

Id. at 107a. In particular, the court focused on evidence that First Quality acquired three separate protective underwear product-lines after 2006 (at least some of which allegedly infringe the '646 patent) and spent millions of dollars expanding a Pennsylvania

facility to handle the manufacture of those product lines. *Id.* at 108a-109a. The uncontradicted evidence demonstrated that First Quality would not have proceeded with those expansions (or at the very least would have structured its acquisitions in a significantly different manner) had it been aware that a patent-infringement lawsuit was in the offing. *Id.* at 109a-110a.

The court of appeals panel affirmed with respect to laches. Pet. App. 67a-91a. The panel explained that because the laches issues had been decided at the summary judgment stage, it would review *de novo* the district court's "unreasonable delay" and "material prejudice" findings, and that "summary judgment was appropriate only if no reasonable jury could have concluded that SCA's delay was reasonable, excusable, or [not] materially prejudicial." *Id.* at 77a. After conducting a *de novo* review, the panel concluded that First Quality met the "no reasonable jury" standard because SCA "failed to raise an issue of material fact" with respect to either the unreasonableness of its delay or the material prejudice suffered by First Quality as a result of that delay. *Id.* at 80a, 83a.[2]

---

[2] Accordingly, *Aukerman*'s "presumption" of unreasonableness and prejudice played no role in the panel's factual determination. In any event, the panel took pains to explain the quite limited scope of that presumption. The panel emphasized that the presumption shifts only the burden of evidentiary production, not the burden of persuasion; the presumption "disappear[s]" once the patentee "can identify evidence sufficient for a reasonable jury to conclude either that the delay was excusable or not unreasonable, or that it was not materially prejudicial." Pet. App. 72a-73a.

The panel explained that a remedy barring an award of pre-suit damages is not "automatic" once a court finds both unreasonable delay and material prejudice. Rather, it stated, "courts should grant relief for laches only after balancing 'all pertinent facts and equities,' including 'the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability.'" *Id.* at 84a (quoting *Aukerman*, 960 F.3d at 1034). After reviewing all of the evidence, the panel concluded that the district court's decision to apply laches so as to bar an award of pre-suit damages did not constitute an abuse of discretion. *Ibid.*

Following this Court's decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), the Federal Circuit voted to rehear the case *en banc* for the sole purpose of determining whether—in light of *Petrella*—"laches remains a defense to legal relief in a patent infringement suit." Pet. App. 2a. The court answered that question in the affirmative, concluding that "Congress codified a laches defense in 35 U.S.C. § 282(b)(1) that may bar legal remedies," and that "in the 1952 Patent Act, Congress settled that laches and a time limitation on the recovery of damages can coexist in patent law." *Ibid.* Thus, it left intact the district court's laches determination.

In affirming *Aukerman*'s holding that laches can be a defense to a damages claim, the *en banc* court relied not only on the text and history of the Patent Act of 1952 but also on pre-1952 case law, which "consistently applied laches to preclude recovery of legal damages." Pet. App. 29a. In light of largely undisputed evidence that the 1952 statute intended to

incorporate "the common law of patents" and that the common law universally recognized laches as a defense to both legal and equitable relief in patent-infringement suits, the court reasoned that the 1952 statute must be understood to have incorporated a laches defense among the defenses enumerated in § 282. *Id.* at 35a.

While recognizing that this Court in *Petrella* held that Congress did not authorize laches as a defense in suits under the Copyright Act, the *en banc* court mentioned numerous reasons why Congress could reasonably have arrived at a different conclusion with respect to the availability of laches as a defense in patent-infringement suits filed under the Patent Act of 1952. In particular, the court explained that unreasonable pre-suit delay can create particular hardship for companies belatedly accused of patent infringement. *Id.* at 37a-38a.

SUMMARY OF ARGUMENT

The appeals court correctly determined that Congress codified laches as a defense to damages in the Patent Act of 1952. The pre-1952 case law unanimously recognized laches as a defense to patent-infringement damage claims, regardless whether the claims were brought at law or in equity. Those cases recognized that Congress in 1897 adopted a statute—now codified at 35 U.S.C. § 286—that limits recovery of patent-infringement damages to those based on infringement committed within six years of the filing of the complaint. The courts nonetheless unanimously concluded that the existence of this damages-limitation statute was compatible with

recognition of a laches defense. Congress codified that settled view of laches in the Patent Act of 1952 when it included a provision, 35 U.S.C. § 282, explicitly making "unenforceability" an available defense "in any action."

Any doubts about the proper interpretation of § 282 should be resolved in favor of recognizing a laches defense, in light of post-enactment events. *Every* federal appeals court decision that has addressed the issue—some dating back nearly 60 years—has determined that laches is an available defense to a patent infringement action filed under the Patent Act of 1952. The Federal Circuit so held soon after its creation in 1982 and has repeatedly affirmed that position. As a result, businesses have reasonably relied on that interpretation of federal law when conducting their affairs. For example, companies have been more willing to expend funds to develop and market new products despite their long-ago receipt of letters threatening patent-infringement litigation, secure in the knowledge that they can assert a laches defense to any such suits that might later be filed. The Court should be wary of requests to reject the collective wisdom of the appeals courts and thereby upset these settled expectations.

The doctrine of *stare decisis* is not strictly applicable here, because this Court has not previously considered whether the Patent Act of 1952 recognizes a laches defense. Nonetheless, many of the reasons why the Court routinely respects *stare decisis*—*e.g.*, it promotes predictable development of legal principles and fosters reliance on judicial decisions—are fully applicable here. By respecting the unanimous judgment of the federal appeals courts regarding the

proper interpretation of a federal statute, particularly when that judgment dates back 60 years, this Court would ensure that legal principles continue to develop in a predictable manner and would avoid upsetting the reasonable expectations of parties that structured their business transactions in justifiable reliance on the settled interpretation.

The rationale for deferring to the appeals courts' judgment is all the stronger because Congress itself appears to have deferred to that judgment. In the intervening years, Congress has repeatedly amended the patent statutes—including § 282—yet has never used those opportunities to express its disagreement with the appeals courts' longstanding position by amending the patent statutes to preclude laches as a defense to damage claims. The inference that Congress has accepted a judicial interpretation of a statute is particularly strong when, as here, that interpretation has been adopted by numerous courts over many decades.

SCA asserts that *Petrella* determined that recognition of a laches defenses is inappropriate whenever, as here, Congress has adopted a statute imposing a time limit on the award of damages. Pet. Br. 30. That assertion misreads *Petrella*, which focused on Congress's intent in adopting the Copyright Act. Congress's failure to authorize courts to recognize laches defenses to infringement claims arising under the Copyright Act provides no basis for concluding that it did not authorize laches defenses to infringement claims arising under the Patent Act of 1952, a statute with an entirely different history and containing provisions (such as 35 U.S.C. § 282(b)(1)) that have no

analogue in the Copyright Act.

Recognition of a laches defense is fully consistent with 35 U.S.C. § 286, which bars recovery based on any infringement "committed more than six years prior to the filing of the complaint." Section 286 operates like a statute of repose; it establishes an absolute time limit on the recovery of damages without regard to when the patentee became aware of the infringement (*e.g.*, the six-year window may already have closed before the infringement is discovered) and without regard to the defendant's culpability or whether it has been prejudiced by the delay. The doctrine of laches responds to an entirely different set of concerns. It never applies in a patent case unless the patentee's delay in bringing suit was "unreasonable" and caused the defendant to suffer "material prejudice." Accordingly, there is no inconsistency between § 286 (which never applies to bar damage claims arising from infringement that occurred less than six years before suit is filed) and § 282 as interpreted by the appeals courts (which permits a court to invoke laches to bar damage claims arising within that six-year window, if and only if certain additional findings are made).

Finally, the Court should decline SCA's request to address the presumption adopted by the Federal Circuit for use in cases in which the patentee delays filing an infringement action for more than six years from the date on which it learns of the alleged infringer's activities. This case is not an appropriate vehicle for addressing that issue because the presumption played no role in the decision below. Rather, the appeals court panel determined, after *de novo* review, that First Quality had established both

unreasonable delay and material prejudice because SCA *failed to raise an issue of material fact* with respect to either issue. Pet. App. 80a, 83. The Court should decline to provide what would amount to an advisory opinion regarding a court procedure that played no role in the outcome of this case.

If the Court decides to address the issue, it should uphold the presumption as an effective tool designed to assist federal district courts in resolving factual disputes regarding whether a patentee's delay in filing suit is unreasonable and whether the defendant has suffered material prejudice. SCA mischaracterizes the presumption when it asserts that the presumption was "dispositive on the issue of laches." Pet. Br. 52. To the contrary, the presumption does no more than impose a burden of evidentiary production on a patentee, requiring it to come forward with evidence explaining its delay in filing suit.

Imposing that burden of production assists with the fact-finding process; after all, the patentee is the party best situated to provide evidence regarding the reasons why it delayed more than six years in filing suit. That evidence will assist the court in determining whether the delay was reasonable. Importantly, the presumption is extremely limited in scope; it does not affect the burden of persuasion regarding the issues of unreasonable delay and material prejudice, a burden which remains at all times on the defendant asserting laches. The presumption disappears once the patentee comes forward with the required evidence and plays no further role in the fact-finding process.

Moreover, the presumption is limited to the

factual issues of unreasonable delay and material prejudice; even if a court makes findings adverse to the patentee on those issues, the defendant is not automatically entitled to a limitation on pre-suit damages. Rather, the defendant still bears the burden of demonstrating, based on all the pertinent facts and equities, that it is entitled to some form of laches relief. In sum, the extremely modest presumption employed by the Federal Circuit is no different from other fact-finding presumptions employed by federal courts with respect to other federal statutes, such as the "prima facie case" regularly used to assist in determining whether employment-discrimination plaintiffs have been subjected to disparate treatment. *See McDonnell Douglas Corp. v. Green*, 411 U.S. 792 (1973).

ARGUMENT

I. THE PATENT ACT OF 1952 CODIFIED LACHES AS A DEFENSE TO DAMAGES

Petitioners do not seriously dispute that *every* pre-1952 appellate decision to consider the question concluded that laches was available as a defense to a patent infringement action. *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193, 200-01 (1893). Those reported decisions include cases in which the plaintiff sought an award of damages as well as cases in which the defendant sought equitable relief; they include cases filed with courts sitting in equity as well as actions at law; and they include cases filed after the merger of law and equity courts in 1938. Petitioners also do not seriously contest that Congress did not intend the Patent Act of 1952 to alter the substance of the patent law except where expressly stated; rather,

Congress largely intended to clarify existing law. "'The stated purpose' of the 1952 revision 'was merely reorganization in language to clarify the statement of the statutes.'" *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923, 1930 (2016) (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505 n.20 (1964)). Under those circumstances, it would be highly surprising if the Patent Act of 1952 had *not* specified that laches is a defense to patent-infringement damage claims.

Congress codified the availability of laches by including in the Act a provision, 35 U.S.C. § 282, that expressly lists "unenforceability" as an available defense "in any action." SCA focuses on the fact that § 282 does not explicitly use the word "laches." But neither does it make explicit reference to any of the other equitable doctrines, such as equitable estoppel, under which a patent might be deemed unenforceable; yet SCA concedes that equitable estoppel is an available defense.

Both First Quality's brief and the *en banc* appeals court explain in great detail why the Patent Act of 1952 is most reasonably read as preserving the status quo, including the preservation of laches and other previously recognized "unavailability" defenses. WLF will not repeat those arguments here. Rather, we wish to focus attention on several points that merit special emphasis.

1. Much of SCA's argument regarding the pre-1952 case law is premised on a belief that the law sharply differentiated between patent suits filed in equity and those filed at law. For example, Petitioners

argue that equity cases such as *Lane & Bodley* are not relevant in discerning whether pre-1952 case law recognized laches as a defense to damage claims; they assert that the only relevant cases are those that were filed at law. But, in fact, long before the formal merger of law and equity courts in 1938, Congress had eliminated many of the formal distinctions between the two. Of most relevance, Congress adopted legislation in 1870 that authorized litigants to recover damages, a legal remedy, in equity as well as at law. Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206 (codified as amended at Rev. Stat. § 4921 (1874)). Thus, the widespread acceptance of laches as a defense in equity suits meant that courts were applying laches to limit the award of damages, not simply the award of traditional equitable remedies such as injunctions.

Moreover, when Congress adopted the six-year limit on damage awards in 1897, it made the statute applicable both to actions at law and in equity. Thus, when post-1897 decisions held that laches defenses could be raised in patent-infringement suits, they were not applying laches solely as a "gap-filling" measure (*i.e.*, not solely in the absence of a statute that imposed temporal limitations on recovery for past infringement).

Thereafter, as First Quality has cogently explained, because litigants often could not obtain complete relief in patent-infringement litigation filed at law (where injunctions were not available), virtually all such litigation filed in the late Nineteenth and early Twentieth Centuries was filed in equity. Accordingly, the limited number of pre-1938 court decisions recognizing laches as a defense in actions at law is

hardly surprising, given how few patent-infringement cases were filed at law. More importantly, the few appellate decisions directly on point all support the contention that laches may be interposed in an action at law. *See, e.g., Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934); *Universal Coin Lock Co. v. Amer. Sanitary Lock Co.*, 104 F.2d 781, 781-83 (7th Cir. 1939). SCA criticizes those decisions as wrongly decided, but that criticism misses the mark because it fails to come to grips with the appellate courts' widespread acceptance of laches as a defense to legal claims in patent-infringement litigation. That consensus continued following the 1938 merger of law and equity. *See, e.g., Lukens Steel Co. v. American Locomotive Co.*, 197 F.2d 939, 941 (2d Cir. 1952). Congress codified that same consensus when it adopted the Patent Act of 1952.

2. SCA contends that laches is an available defense only when Congress has not adopted a statute of limitations or (as here) a statute that limits damages to infringement within the past six years. Pet. Br. 28-30. It contends that when Congress has adopted such a statute, its decision regarding the timeliness of actions at law is final, and that "courts are not free to substitute their own judgment, including by adding limitations Congress has not seen fit to prescribe." *Id.* at 29.

But SCA's contention begs the question of what precisely Congress "has seen fit to prescribe." First Quality is not asking this Court to substitute its judgment for that of Congress by endorsing a defense that Congress did not authorize. Rather, First Quality asserts that the language, context, and history of the

Patent Act of 1952 all support its contention that Congress intended to codify the longstanding common-law recognition of laches as a defense to patent-infringement damage claims.

3. SCA asserts that recognizing a laches defense "promotes needless litigation" by forcing patentees to file suit prematurely to prevent even "innocuous infringements" rather than to risk the possibility that laches will be applied to reduce damages if the filing is delayed. Pet. Br. 47-48. WLF notes, however, that SCA has presented no evidence that patentees are actually filing "premature" patent-infringement suits despite their awareness of the Federal Circuit's longstanding position regarding the availability of a laches defense.

More importantly, that argument overlooks the fact that laches can be applied only when the delay in filing suit is determined to have been "unreasonable." There is no suggestion in the case law that a patentee acts unreasonably if it delays filing suit because it has determined that alleged infringements are "innocuous." Indeed, in this case, the appeals court panel did not fault SCA for its three-year delay while it pursued a reexamination of the '646 patent before the Patent and Trademark Office. Rather, it determined that SCA's delay became unreasonable only after it waited three more years following completion of reexamination proceedings in 2007 before filing suit—a period during which SCA carefully but silently monitored First Quality's rapid expansion in the protective underwear industry.

II. EVENTS FOLLOWING 1952 CONFIRM THE AVAILABILITY OF LACHES AS A DEFENSE IN PATENT-INFRINGEMENT LITIGATION

Every federal appeals court decision that has addressed the issue—some dating back nearly 60 years—has determined that laches is an available defense to a patent-infringement action filed under the Patent Act of 1952.[3] In the decades following adoption of the Act, Congress has repeatedly amended § 282 and other provisions of the Act while allowing the uniform recognition of laches as a defense to patent infringement damages to stand. Market participants have come to rely on that recognition when conducting their affairs. All of those factors provide additional grounds for affirming the decision below.

A. Businesses Have Reasonably Relied on the Unbroken Line of Appellate Decisions Recognizing Laches

This Court has never had occasion to determine whether the Patent Act of 1952 recognizes a laches defense against claims for damages. Thus, the doctrine

---

[3] The Federal Circuit so held soon after its creation in 1982 and has repeatedly affirmed that position, including in its 1992 *en banc* decision in *Aukerman* and its *en banc* decision in this case. In the years following 1952 and before creation of the Federal Circuit, at least seven different regional federal circuit courts recognized laches as a defense to a charge of patent infringement. *See, e.g., Potter Instrument Co. v. Storage Tech. Corp.*, 641 F.2d 190, 191 (4th Cir. 1981); *Kohle mbH v. Eastman Kodak Co.*, 616 F.2d 1315, 1325 (5th Cir. 1980); *Continental Coatings Corp. v. Metco, Inc.*, 464 F.2d 1375, 1379 (7th Cir. 1972)(Stevens, J.).

of *stare decisis*—"the idea that today's Court should stand by yesterday's decisions," *Kimble v. Marvel Entertainment Group, LLC*, 135 S. Ct. 2401, 2409 (2015)—is not strictly applicable here. Nonetheless, many of the reasons why the Court respects *stare decisis* are equally relevant to the issue now before the Court. Application of *stare decisis* is the "preferred course because it promotes the evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process." *Payne v. Tennessee*, 501 U.S. 808, 827-28 (1991). The same is true of a decision to defer to the unanimous judgment of the federal appeals courts regarding the proper interpretation of a federal statute, particularly when that judgment dates back 60 years and when (as here) there is at least "a reasonable possibility that parties have structured their business transactions" in reliance on that judgment. *Kimble*, 135 S. Ct. at 2410.[4]

The evidence of such reliance is particularly strong here. When First Quality heard nothing further about the '646 patent from SCA following their initial exchange of correspondence in 2003, First Quality reasonably concluded that SCA had accepted its explanation that its product designs did not infringe the patent. In the ensuing years, it increased its production of allegedly infringing products eight-fold from 2003 levels. The evidence submitted to the

---

[4] *Kimble* noted that "considerations favoring *stare decisis* are at their acme" in cases, as here, "involving property and contract rights." *Ibid.* "That is because parties are especially likely to rely on such precedents when ordering their affairs." *Ibid.*

district court demonstrated that First Quality would not have undertaken that expansion had it not reasonably concluded that SCA did not intend to file patent-infringement litigation. Pet. App. 107a-110a. Moreover, in light of the judicial consensus that patent law recognizes laches as a defense to patent-infringement damages, First Quality was able to undertake its expansion with knowledge that the laches doctrine would provide it with some protection from the costs of a belatedly filed patent-infringement lawsuit.

The situation in which First Quality found itself is far from unique. As the *en banc* Federal Circuit explained:

> In the high tech industry, amici advise that businesses receive demand letters every day—many of which assert unmeritorious claims—and it is often impractical for companies to determine which claims have merit. *See* Dell Br. 23-27. Independent invention is no defense in patent law, so without laches, innovators have no safeguard against tardy claims demanding a portion of their commercial success. Consequently, "there is a recurring risk that a stale patent claim will inflict significant hardship on a defendant who has lost the meaningful ability to choose between alternative technologies and whose investment in research, development, and further innovation may be jeopardized." Dell Br. 27.

Pet. App. 38a.

Because businesses are aware that, under longstanding interpretations of patent law, they are permitted to raise laches as a defense to unreasonably delayed patent claims, they have been more willing to incur the risks described above. Their willingness to embark on such risk-taking ventures has in turn provided significant benefits to consumers in the form of new and innovative products. Reversing the appeals courts' longstanding interpretation of the Patent Act of 1952 would unfairly harm those who have reasonably relied on that interpretation and would cut against the principles that have long animated the Court's adherence to *stare decisis*.

B. Congress's Retention of § 282(b)(1) Indicates that It Has Accepted the Appeals Courts' Interpretation

The rationale for deferring to the appeals courts' judgment is all the stronger because Congress itself appears to have deferred to that judgment. In the intervening years, Congress has repeatedly amended the patent statutes—including § 282—yet has never used those opportunities to express its disagreement with the appeals courts' longstanding position by amending the patent statutes to preclude laches as a defense to damage claims. The inference that Congress has accepted a judicial interpretation of a statute is particularly strong when, as here, that interpretation has been adopted by numerous courts over many decades.

In *Texas Dep't of Housing and Community*

Affairs v. Inclusive Communities Project, Inc., 135 S. Ct. 2507 (2015), the Court concluded that the inference that Congress had adopted the appeals courts' longstanding interpretation of the Fair Housing Act (FHA) was considerably strengthened by the fact that *all* of the appeals courts that had addressed the issue had adopted that interpretation. The Court explained:

> Congress' decision in 1988 to amend the FHA while still adhering to the operative language in [the FHA provisions being litigated] is convincing support for the conclusion that Congress accepted and ratified the unanimous holdings of the Courts of Appeals finding disparate-impact liability. "If a word or phrase has ... been given a uniform interpretation by inferior courts ..., a later version of that act perpetuating the wording is presumed to carry forward their interpretation." A. Scalia & B. Garner, Reading Law: The Interpretation of Legal Texts 322 (2012); ... *Manhattan Properties, Inc. v. Irving Trust Co.*, 291 U.S. 320, 336 (1934) (explaining, where the Courts of Appeals had reached a consensus interpretation of the Bankruptcy Act and Congress had amended the Act without changing the relevant provision, "[t]his is persuasive that the construction adopted by the [lower federal] courts has been acceptable to the legislative arm of the government").

Id. at 2520.

Congress is, of course, "presumed to be aware of judicial interpretations of a statute." *NLRB v. Bildisco and Bildisco*, 465 U.S. 513 (1984). Its repeated amendments to § 282 without amending § 282(b)(1)—the provision on which the appeals courts have relied in concluding that the Patent Act of 1952 recognizes a laches defense against claims for damages—is a strong indication that Congress accepted the unanimous judicial interpretation of § 282(b)(1).

The Court's recent construction of § 282(a) is instructive. That statutory provision states that a "patent shall be presumed valid" and imposes the burden of establishing invalidity "on the party asserting invalidity." Although § 282(a) is silent regarding the standard of proof imposed on a defendant seeking to establish invalidity, the Federal Circuit beginning in 1984 interpreted the statute as requiring the defendant to persuade the factfinder of invalidity by "clear and convincing evidence." This Court unanimously upheld the Federal Circuit's interpretation in a 2011 decision, reasoning, in part, that Congress's failure to amend § 282(a) in the years following the 1984 decision indicated that Congress accepted that interpretation:

> For nearly 30 years, the Federal Circuit has interpreted § 282 as we do today. During this period, Congress has often amended § 282 ...; not once, as far as we (and Microsoft) are aware, has it ever considered a proposal to lower the standard of proof. ... Through[out the various amendments to § 282], the

> evidentiary standard adopted in § 282 has gone untouched. Indeed, Congress has left the Federal Circuit's interpretation of § 282 in place despite ongoing criticism.

Microsoft Corp. v. i4i Ltd. Partnership, 564 U.S. 91, 113 (2011).

Similarly, Congress's failure to address the appeals courts' unanimous conclusion that § 282(b)(1) establishes laches as a defense to a claim for patent-infringement damages—despite its repeated amendments to § 282 and despite criticism of that conclusion by SCA and others—supports a finding that Congress has accepted the courts' interpretation of § 282(b)(1).

III. THE COURT SHOULD NOT OVERTURN THE FEDERAL CIRCUIT'S NARROW PRESUMPTION REGARDING UNREASONABLE DELAY AND MATERIAL PREJUDICE

SCA requests alternatively that, even if Congress authorized courts to recognize a laches defense to patent-infringement damages, the Court should reject "the Federal Circuit's unique presumption in favor of laches." Petitioners Br. 50-52. The Court should deny this request, both because the propriety of the presumption is not at issue in this case and because the presumption, properly characterized, is a narrow and appropriate tool that assists with the fact-finding process.

The Federal Circuit stated in *Aukerman* that if a patentee delays the filing of a patent infringement

suit for more than six years after it "knew or should have known of the alleged infringer's activity," a presumption of laches arises. *Aukerman*, 960 F.2d at 1028. The presumption shifts to the patentee "the burden of going forward with evidence" regarding the reasonableness of its delay and/or the absence of prejudice. *Ibid.*

A. The Court Should Not Address the Presumption Because It Played No Role in the Appeals Court's Decision

The Court should decline to address the propriety of the Federal Circuit's presumption because it played no role in the appeals court's disposition of the case. The case is before the Court on appeal from the district court's order granting summary judgment to First Quality on the issue of laches; that order barred SCA from seeking damages with respect to any pre-suit infringement. The appeals court panel upheld the award of summary judgment after conducting a *de novo* review of the record and determining that: (1) SCA delayed filing suit for more than six years after learning of First Quality's alleged infringement; (2) First Quality introduced evidence that SCA delayed unreasonably before filing suit and that First Quality was materially prejudiced by that delay; (3) "no reasonable fact-finder could conclude that SCA's delay, viewed as a whole, was reasonable," and SCA "failed to raise a genuine issue of material fact regarding the reasonability of its delay," Pet. App. 80; (4) SCA failed to identify "any evidence that raises a genuine issue of material fact regarding First Quality's presumed

economic prejudice," *id.* at 83a;[5] and (5) in light of "all pertinent facts and equities, including the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability," the district court's decision to apply laches and bar pre-suit damages was not "an abuse of discretion." *Id.* at 84a.

In other words, the grant of summary judgment to First Quality on laches did not rely on the existence of the presumption to which SCA objects. Rather, SCA lost at the summary judgment stage because it failed to introduce evidence sufficient to create an issue of material fact with respect to First Quality's claims of unreasonable delay and material prejudice. Under those circumstances, any review of the Federal Circuit's presumption is unwarranted. SCA is requesting what would amount to an advisory opinion regarding a court procedure that played no role in the outcome of the case at bar.

---

[5] The panel's decision made clear that its finding of material prejudice was not based simply on a presumption of prejudice. Rather, it explicitly found, "First Quality made a number of capital expenditures to expand its relevant product lines and to increase its production capacity. The record evidence suggests that First Quality would have restricted its activities to minimize infringement liability if SCA had brought suit earlier." Pet. App. 82a.

B. The Narrow Presumption Regarding Unreasonable Delay and Material Prejudice Is an Appropriate Fact-Finding Tool

If the Court decides to address the issue, it should uphold the presumption as an effective tool designed to assist federal district courts in resolving factual disputes regarding whether a patentee's delay in filing suit was unreasonable and whether the delay caused the defendant to suffer material prejudice. SCA mischaracterizes the presumption when it asserts that the presumption was "dispositive on the issue of laches." Pet. Br. 52. To the contrary, the presumption does no more than impose a burden of evidentiary production on a patentee, requiring it to come forward with evidence explaining its delay in filing suit.

Aukerman provided a detailed explanation of the Federal Circuit's presumption. It described the presumption as a "bursting bubble" presumption; that is, the presumption "is not merely rebuttable but completely vanishes upon the introduction of evidence sufficient to support a finding of the nonexistence of the presumed facts"—in this case, a presumption of unreasonable delay and material prejudice. *Aukerman*, 960 F.2d at 1037.[6] "The presumption compels the

---

[6] The court explained that "presumptions, whether created by statute or by judicial ruling, arise out of considerations of fairness, public policy, and probability." *Aukerman*, 960 F.2d at 1034 (citations omitted). The laches presumption accords with "probability," in that one would not normally expect that a reasonably diligent patentee would require more than six years to prepare and file a patent- infringement lawsuit, and the defendant

production of this minimum quantum of evidence, nothing more. ... 'The word presumption properly used refers only to a device for allocating the production burden.'" *Ibid* (quoting *Texas Dep't of Community Affairs v. Burdine*, 450 U.S. 248, 255 n.8 (1980)). Thus, in a patent-infringement suit, "[i]f the patentee presents a sufficiency of evidence which, if believed, would preclude a directed finding in favor of the infringer, the presumption evaporates and the accused infringer is left to its proof." *Id.* at 1037-38.

SCA's challenge to the presumption is based on a wildly distorted conception of how the presumption operates. According to SCA, *Aukerman* held that:

> When a first act of infringement occurs more than six years before suit, the reliance and prejudice elements of laches are presumed with respect to all infringement occurring during the six-year period. 960 F.2d at 1028. The presumption rests on the premise that infringement is a "unitary claim," and that infringement before and after the six-year limitations date must rise and fall together. *Id.* at 1031-32.

---

in a long-delayed patent-infringement lawsuit is likely to be facing significantly greater damage claims than if the suit had been filed soon after the alleged infringement was uncovered. The laches presumption accords with "fairness," because the patentee is likely to be the party most acquainted with the reasons why the filing of the lawsuit was delayed, and thus it is fair that the patentee be the one required to come forward with relevant evidence.

Pet. Br. 50-51.

As explained above, *Aukerman* made no such claims. The *only* purpose of the presumption is to assist the court in determining two factual issues: did the patentee delay unreasonably in filing suit and, if so, did the delay materially prejudice the defendant? If the patentee provides an explanation indicating that his delay was reasonable—for example, that the initial infringement was minor and not worth pursuing—the presumption vanishes, and the alleged infringer is left to its proof.

More importantly, the assertion that the presumption "rests on the premise that infringement is a unitary claim" is patently false. Even if the alleged infringer succeeds (with or without the assistance of the presumption) in demonstrating that the patentee delayed unreasonably, it is not thereby automatically entitled to any relief. Rather, at that point the court must determine whether any relief from damages is warranted based on a balancing of "all pertinent facts and equities," including "the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability." Pet. App. 84a (quoting *Aukerman*, 960 F.2d at 1034). Moreover, *Aukerman* was quite clear that even where "the defense of laches is established," a court "may," but is not required, to bar all pre-suit damages. 960 F.2d at 1028. In other words, far from requiring that all infringement be treated as a "unitary claim," *Aukerman* mandates that the extent to which laches should be applied to limit damages must be determined based on the equities of each case. Furthermore, that weighing of the equities is wholly unrelated to the

presumption of laches, which has no role to play in the decision-making process once a court has completed its fact-finding regarding unreasonable delay and material prejudice.

"Bursting bubble" presumptions of the sort described by *Aukerman* are frequently employed by courts to assist with the fact-finding process. The effect of such presumptions is governed by Rule 301 of the Federal Rules of Evidence.[7] Perhaps the presumption most frequently employed in federal courts is one used to assist in answering "intentional discrimination" issues arising in suits alleging employment discrimination in violation of Title VII of the Civil Rights Act of 1964. If the plaintiff establishes a "*prima facie* case" of discrimination (generally established merely by demonstrating that the plaintiff is a member of a protected racial minority group and was qualified for the position sought, but the position was instead offered to someone not a member of the minority group), a presumption of unlawful discrimination arises. *McDonnell Douglas*, 411 U.S. at 802; *Burdine*, 450 U.S. at 254. The presumption places upon the defendant the burden of producing evidence which, if believed by the trier of fact, would demonstrate that the adverse employment action was

---

[7] Rule 301 provides:

> In a civil case, unless a federal statute or these rules provide otherwise, the party against whom a presumption is directed has the burden of producing evidence to rebut the presumption. But this rule does not shift the burden of persuasion, which remains on the party who had it originally.

taken "for a legitimate, nondiscriminatory reason." *Burdine*, 450 U.S. at 254. If the defendant carries this burden of producing evidence (even if not believed), "the presumption raised by the prima facie case is rebutted" and "drops from the case." *Id.* at 255 & n.10. The plaintiff may then seek to demonstrate that the defendant's proffered reason for the adverse employment action is pretextual. At all times the plaintiff retains the ultimate burden of persuading the trier of fact that he has been the victim of intentional discrimination. *Id.* at 256. This method of allocating the burden of proof in Title VII cases has assisted federal courts for more than 40 years in resolving the factual question of intentional discrimination.

The presumption adopted by *Aukerman* for use in patent-infringement litigation operates similarly. It does not, as suggested by SCA, load the dice in favor of alleged infringers seeking to invoke a laches defense. It simply adopts procedures designed to assist courts in answering questions relevant to a laches determination. As noted above, the Federal Circuit's adoption of the presumption is not properly at issue and thus should not be addressed. But if this Court decides to address the issue and also determines, as *Aukerman* and every other federal appeals court to address the issue has concluded, that the Patent Act of 1952 recognizes laches as a defense to patent-infringement damage claims, the *Aukerman* presumption ought to be retained as an effective tool for resolving factual issues that must be resolved when addressing laches claims.

CONCLUSION

Amicus curiae Washington Legal Foundation requests that the Court affirm the judgment of the court of appeals.

Respectfully submitted,

Richard A. Samp
(Counsel of Record)
Mark S. Chenoweth
Gregory B. Herbers
Washington Legal Foundation
2009 Massachusetts Avenue, NW
Washington, DC 20036
(202) 588-0302
rsamp@wlf.org

Dated: September 19, 2016